

**STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION**

North Shore Gas Company)	
)	ICC Docket No. 11-0280
Proposed General Increase in Natural Gas Rates.)	
)	consolidated with
The Peoples Gas Light and Coke Company)	
)	ICC Docket No. 11-0281
Proposed General Increase in Natural Gas Rates.)	

**VERIFIED
APPLICATION FOR REHEARING**

On behalf of

Interstate Gas Supply of Illinois, Inc.

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**VERIFIED APPLICATION FOR REHEARING
OF INTERSTATE GAS SUPPLY OF ILLINOIS, INC**

Interstate Gas Supply of Illinois, Inc. (“IGS Energy”), by and through its attorneys, DLA Piper LLP (US), and pursuant to 220 ILCS 5/10-113, and 83 Ill. Admin Code. § 200.880, respectfully submits this Verified Application for Rehearing of the Order entered by the Illinois Commerce Commission (the “Commission”) on January 10, 2012 and served on the parties on January 12, 2012 (the “January 10 Order”). In support of this Application for Rehearing, IGS Energy states as follows:

I.

INTRODUCTION

During the course of this proceeding, IGS Energy introduced evidence demonstrating that inappropriate cross-subsidies and inaccurate cost allocation associated with the utilities’ Choices For You small volume gas transportation program. IGS Energy also demonstrated that Peoples Gas and North Shore Gas (collectively, the “Companies”) had failed to produce relevant information regarding their cost allocation relating to the Choices For You program. In light of the information that IGS Energy presented, the Commission was presented with several simple but effective proposed steps to correct cross-subsidies and inaccurate cost allocations designed to further the Commission’s well-established policy in favor of accurate and pro-competitive cost

allocation. (*See, e.g.*, IGS Energy Initial Brief at 2-4; IGS Energy Reply Brief at 3-5; IGS Energy Brief on Exceptions at 2-3; IGS Energy Reply Brief on Exceptions at 1-3.)

IGS Energy presented substantial evidence (and pointed to additional evidence that the Companies did not produce) of cross-subsidization, and thus the need for corrective steps. (*See id.*; IGS Energy Initial Brief at 9-25; IGS Energy Reply Brief at 9-17; IGS Energy Brief on Exceptions at 9-19; IGS Energy Reply Brief on Exceptions at 6-8.) The steps IGS Energy advocates would allow the competitive energy markets to operate more efficiently and effectively and would reduce anti-competitive behavior -- all to the benefit of Illinois consumers. Specifically, IGS Energy requested:

- **Choices For You customers should not be charged for administrative costs they do not cause.** Currently, the Companies charge all customers (both sales and Choices For You customers) for administrative functions that support only sales customers. This creates an inappropriate, anti-competitive subsidy favoring sales customers paid for by Choices For You customers. Because of this cross-subsidy and, in part, because the Companies do not fully track the cost information for each function supporting their proposed Administrative Fees, IGS Energy recommends that all administrative fees applicable to sales and Choices For You customers be charged to both sales and Choices For You customers. IGS Energy further recommends that the Commission require the Companies to collect the more detailed information and present it in the Companies' next rate case.
- **The costs to administer the Choices For You program should be borne by all customers who have been given the option to participate in the program.** Charging all customers for Choices For You administration would be in line with the way in which similar costs are recovered, and is consistent with cost-causation principles, since *all* customers who have the option to enroll in Choices For You benefit from that program.

(*See, e.g.*, IGS Energy Reply Brief at 3.)

In short, IGS Energy respectfully requests that the Commission grant rehearing and modify the January 10 Order to ensure that the administrative fees are fairly and accurately allocated in accordance with cost causation principles. (*See, e.g.*, IGS Energy Brief on Exceptions at 9-19; IGS Energy Brief on Exceptions at 9-19.) At a minimum, IGS Energy would

respectfully request that the Commission require the Companies to present additional information with their next rate case filing, so that the Commission has additional information available to evaluate this issue. On Rehearing, IGS Energy urges the Commission to reconsider the evidence and the proposed replacement language drafted by IGS Energy in light of the substantial evidence demonstrating the problems with the Choices For You program. (*See* Attachment A to IGS Energy Brief on Exceptions at 7-9, 12-14.)

II.

THE COMMISSION SHOULD GRANT REHEARING ON ADMINISTRATIVE FEES AND GRANT IGS ENERGY'S REQUESTED RELIEF BASED UPON THE SUBSTANTIAL EVIDENCE

The Companies should not be allowed to continue their practice of charging Choices For You customers for costs that they do not cause and for services from which they do not benefit. (*See* IGS Energy Brief on Exceptions at 3.) The January 10 Order, unfortunately, declined to fix the deficiencies identified by IGS Energy, and allowed the Companies to continue the proposed anti-competitive allocation of Administrative Fees.

The evidence demonstrating that the Companies currently charge Choices For You customers for costs that they do not cause includes the following:

- The Companies double charge Choices For You customers for administrative expenses. The Companies charge all customers an administrative fee, and then charge Choices For You customers another administrative fee for the same or similar services. (*See, e.g.*, IGS Energy Cross Ex. 11; Tr. 674:9-677:12, 678:5-21; IGS Energy Ex. 1.0 at 42:1000-43:1015; IGS Energy Initial Brief at 12-13; IGS Energy Reply Brief at 11-12.)
- The Companies charge Choices For You customers for costs they do not cause. It is undisputed that Choices For You customers do not cause non-commodity uncollectable costs, but these costs nonetheless are assigned to Choices For You customers. (*See, e.g.*, IGS Energy Cross Exs. 17 and 18; IGS Energy Ex. 1.0 at 38:906-918, 39:944-40:966; IGS Energy Ex. 2.0 at 20:471-482; IGS Energy Initial Brief at 13-14; IGS Energy Reply Brief at 11.)

In sum, the Companies' current practices are anti-competitive and violate basic cost causation principles that the Commission has repeatedly endorsed. (*See, e.g.*, IGS Energy Initial Brief at 2-3; ICC Docket Nos. 09-0166/-0167 (cons.) January 10 Order at 197, 198, 211 (summarily approving proposals due to being "consistent with cost causation principles"); ICC Dockets 07-0241/-0242 (cons.), Order dated February 5, 2008 at 163-4, 182 (noting policy of assigning costs of programs to customers that benefit from the programs); *see also* Tr. 653:17-654:19; IGS Energy Ex. 1.0 at 34:811-35:827.)

As IGS Energy has detailed, all eligible customers benefit from the being provided the option to be able switch suppliers at will. (*See, e.g.*, IGS Energy Brief on Exceptions at 16; *see also id.* at 13-15 (quoting Companies witness Mr. McKendry discussing benefits to all customers).) As a result, cost-causation principles support assigning the costs associated with Choices For You to all customers. IGS Energy also established that Choices For You customers currently pay for a wide range of costs that they either do not cause or separately pay for through the Choices For You administrative fee which, alternatively, should be credited to Choices For You customers. (*See, e.g.*, IGS Energy Brief on Exceptions at 9-11.) IGS Energy reaffirms the Exceptions and replacement language provided with its Brief on Exceptions. (*See* IGS Brief on Exceptions at 12; Attachment A to IGS Energy Brief on Exceptions at 7-9, 12-14.)

III.

CONCLUSION

IGS Energy consistently has urged the Commission to make a few simple fixes to the Choices For You program that would greatly ameliorate the identified anti-competitive imbalances currently caused by the Companies' misallocation of costs associated with the Choices For You program. (*See, e.g.*, IGS Energy Initial Brief at 26; IGS Energy Reply Brief at 18.) Accurate cost allocation, consistent with long-standing Commission policy, requires fair

and accurate allocation of Administrative Fees. Thus, in order to fix these competitive imbalances, IGS Energy respectfully requests that the Commission grant rehearing, reconsider its ruling in light of the evidence presented, and even the competitive playing field with the simple fixes IGS Energy has proposed. At a minimum, IGS Energy requests that the Commission direct the Companies to provide additional information regarding cost causation with its next rate case filing.

WHEREFORE, IGS Energy respectfully requests that the Commission grant rehearing and order the following:

1. The Companies must collect Choices For You administrative fees from all customers through base rates;
2. In the alternative, the Companies must undertake detailed cost-causation analysis of the administrative fees to all customers and the Gas Transportation Services allocation factors and present it with their next rate case filing; and
3. Granting any additional relief that the Commission determines to be in the interests of justice.

Respectfully submitted,

INTERSTATE GAS SUPPLY OF ILLINOIS, INC.

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